

CALIFORNIA DEPARTMENT OF INSURANCE  
LEGAL DIVISION  
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Attorney for The California Department of Insurance

**BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF CALIFORNIA**

In the Matter of the Licenses and Licensing  
Rights of

JAY CHANG YEOM,  
Respondent.

File No. LA 15723AP

ACCUSATION

The Insurance Commissioner of the State of California in his official capacity alleges:

**I**

Respondent JAY CHANG YEOM (Respondent), doing business as Komerica Insurance Marketing, is a licensed Fire and Casualty Broker-Agent (since November 14, 1996) and Life Agent (since June 8, 1999).

**II**

**Complainant Kally Fong/Formosa Insurance**

From January 2005 through May 2005, Respondent accepted premium in the amount of not less than \$22,957.60 for workers' compensation insurance on behalf of seven (7) insureds and failed to place coverage, exposing them to loss and additional premium penalties for lapse of insurance. Respondent has had a total of three (3) bounced checks to Formosa Insurance Services totaling approximately \$5303.00.

On March 30, 2005, the Department received a complaint from Kally Fong, Account Manager for Formosa Insurance, alleging that Respondent accepted premium for placement of

1 workers' compensation coverage and failed to place coverage or refund premium. As a result,  
2 several insureds had a lapse of coverage resulting in additional premiums and exposure to loss.

3 On May 26, 2005, Fong provided to the Department to following information:

4 On August 24, 2004, Respondent entered into a contract with Formosa Insurance Services  
5 (Formosa) wherein he agreed to remit premium for business submitted to Formosa.

6 From January 2005 through April 2005, Respondent submitted ten (10) policies to  
7 Formosa for workers' compensation coverage. Formosa placed the policies through American  
8 Insurance Group (AIG).

9 In March 2005, Formosa began to have billing problems with Respondent. On March 5,  
10 2005, Respondent submitted three (3) checks to Formosa for workers' compensation coverage for  
11 the following insureds: Imperial Fashion and Shree M & M. The checks totaled \$5303.00.

12 On March 11, 2005, the three (3) checks Respondent submitted on behalf of the above-  
13 stated insureds were returned to Formosa's bank as for nonsufficient funds. Fong contacted  
14 Respondent and spoke to the office clerk who advised her that the checks would be replaced as  
15 soon as possible. Fong could not remember the office clerk's name.

16 On March 23, 2005, Fong contacted Respondent and left several messages, but the calls  
17 were not returned.

18 On March 24, 2005, Fong, contacted Respondent on his cellular telephone. Respondent  
19 advised her that he was in a meeting and would call her back. Fong also contacted Respondent's  
20 office and was advised by the office clerk that they were in the process of moving and that the  
21 checks would be replaced after the move was completed. Formosa also sent Respondent a  
22 facsimile requesting payment that same day, but no response was received.

23 On March 28, 2005, Fong sent the above-stated letters to Respondent via certified mail.  
24 The letters were sent to three (3) addresses known to her as Respondent's business locations. In  
25 the letter, Fong advised Respondent that if she did not receive payment within a few days, she  
26 would pursue the matter legally and also file a complaint with the Department of Insurance.

27 On April 4, 2005, Fong, on behalf of Formosa Insurance, filed a small claims suit with the  
28 Alhambra courts, which resulted in a judgment against Respondent, in addition to court costs.

1 Also in April 2005, Fong contacted AIG and requested cancellation of the following  
2 policies, due to nonpayment of deposit of premium: Myrna Fashions, Superior Pleating &  
3 Stitching, and Outerware Inc. These policies have been cancelled by the carrier AIG.

4 The policies for Imperial Fashion and Shree M & M, Inc. were issued and remained in  
5 force through the term of the contract with AIG companies. Formosa remitted the applications  
6 and premium to AIG, per their agreement. Formosa accepted loss on these policies.

### 7 III

#### 8 **Victim Tellie Inocencia Nevarez/Superior Pleating**

9 Superior Pleating is an account which was discovered following the complaint of Fong of  
10 Formosa Insurance. On February 16, 2007, Tellie Nevarez, owner of Superior Pleating, stated the  
11 following to the Department:

12 On or about February 9, 2005, Respondent came to the office of Superior Pleating &  
13 Stitching Company and provided Nevarez with a workers' compensation quote. Nevarez  
14 accepted the quote and gave Respondent a credit draft payable to Respondent for \$2686.00.

15 Respondent advised Nevarez that he would send the Certificate of Insurance via facsimile  
16 when he returned to his office. In early March 2005, Nevarez received the Certificate of  
17 Insurance listing AIG as the insurer. In mid-March 2005, Nevarez received a cancellation notice  
18 for nonpayment of deposit from AIG. She contacted the company and advised them that she had  
19 paid the deposit to Respondent. Nevarez offered to pay AIG directly for the deposit, but AIG  
20 declined her payment. AIG supplied Nevarez with a list of affiliated brokers so that she might re-  
21 establish insurance coverage through one of them. Nevarez contacted another broker and paid  
22 \$3000.00 to re-establish the policy. From March 2005 through April 2005, Nevarez made several  
23 attempts to contact Respondent for the return of the insurance down payment. She received no  
24 response from Respondent. In May 2005, Nevarez contacted her banking institution, City  
25 National Bank, and filed a fraudulent credit transaction report. After several months of  
26 investigating, the bank gave Nevarez a refund of \$2686.00 on her credit card.

1 On February 16, 2007, Nevarez was provided with a photo line up including Respondent's  
2 photograph. Nevarez reviewed the line up and identified the Respondent as the person to whom  
3 she paid the insurance in 2005. To date, she has not heard from Respondent.

4 IV

5 **Complainant Roman Crescencio/Myrna Fashions**

6 Myrna Fashions is an account that was discovered from the complaint of Fong of Formosa  
7 Insurance. On February 16, 2007, a field visit was conducted by the Department at the Myrna  
8 Fashion office where Roman Crescencio was interviewed and he stated the following:

9 On February 4, 2005, Respondent came to the business of Crescencio and provided him  
10 with a workers' compensation quote. Crescencio accepted the quote and provided Respondent  
11 with a deposit check for \$2665.00. Respondent advised Crescencio that he would receive a  
12 policy within 30 days. From March 2005 through April 2005, Crescencio made several attempts  
13 to contact Respondent for the policy or policy information. Respondent never returned his calls.  
14 Crescencio's former insurance broker, Eva DeJesus of Delia's Insurance, assisted Crescencio in  
15 contacting AIG, the proposed insurer. AIG advised Crescencio that his policy was issued on  
16 February 15, 2005, but the policy was cancelled on March 25, 2005 for nonpayment of premium.  
17 From April 2005 through May 2005, Crescencio made several attempts to reach Respondent, but  
18 Respondent did not reply.

19 On February 16, 2007, Crescencio was provided with a photo line up including  
20 Respondent's photograph. Crescencio reviewed the line up and selected the Respondent as the  
21 person to whom he paid the insurance premium.

22 V

23 **Witness Eva Delia DeJesus/Delia's Insurance Agency**

24 On March 15, 2007, a field visit was conducted by the Department at the office of Delia's  
25 Insurance Agency where Eva Delia DeJesus provided the following information:

26 DeJesus is the owner and sole operator of Delia's Insurance Agency. In addition, DeJesus  
27 handles payroll duties for several clients. DeJesus's client base included Christy Fashions and  
28 Myrna Fashions.

1 She met Respondent through her clients Myrna Fashions and Christy Fashions. In mid-  
2 February 2005, Christy Fashions owner Gabriel Solis asked DeJesus to sit in on an insurance  
3 meeting between Solis and Respondent. DeJesus agreed. The meeting was held at Christy  
4 Fashions on Olympic Boulevard in Los Angeles. During the meeting, Respondent represented  
5 himself as the owner of Komerica Insurance Marketing. DeJesus stated that Respondent  
6 presented a quote to Solis for workers' compensation insurance. She could not recall the amount  
7 of the quote, but she remembers the conversation. The quote was very low so DeJesus asked  
8 Respondent what estimated payroll numbers did Respondent base the quote upon. Respondent  
9 stated it did not matter as to the exact payroll; he places the insurance coverage based on all the  
10 employees in the same work category, which reduces the premium. DeJesus told Respondent that  
11 she thought that his method was inappropriate to base a quote on. She further asked Respondent  
12 what Solis would do if an employee was hurt on the job and a claim had to be filed. Respondent  
13 stated that if the employee was in the wrong class category, Respondent would just make a  
14 correction, as though it were an error. Respondent further stated that if the employee was not on  
15 the policy, he would just add the employee retroactively, again as though it were an error also.

16 DeJesus told Respondent that he was violating the laws of California. Respondent told  
17 her that she was just an accountant and was not familiar with the insurance laws of the State of  
18 California. DeJesus informed Respondent that she too was licensed as a Fire and Casualty Broker  
19 by the Department of Insurance. Respondent was very surprised. DeJesus advised Respondent  
20 that she wanted to speak with Solis alone. While meeting with Solis, DeJesus explained to Solis  
21 that if he took the insurance coverage Respondent was offering him, he and Christy Fashions  
22 would be in violation of the laws in California. Solis resumed the meeting with Respondent and  
23 advised Respondent that he was not interested in purchasing the workers' compensation insurance  
24 from him. DeJesus remembers that Respondent was very frustrated with her input. DeJesus also  
25 remembers that Respondent was working with a lot of contractors in the garment district.

26 In March 2005, while handling the payroll for Myrna Fashions, Crescencio advised  
27 DeJesus that he was having problems getting his workers' compensation policy. He explained to  
28 DeJesus his transaction with Respondent. Crescencio and DeJesus contacted AIG insurance and

1 were advised that the policy for Myrna Fashion was issued effective February 15, 2005, but the  
2 policy was flat cancelled on March 24, 2005 for nonpayment of premium. From April through  
3 May 2005, several attempts were made to reach Respondent without success.

4 In late March 2005, Crescencio requested workers' compensation insurance from DeJesus'  
5 agency, Delia's insurance. He had to pay an additional down payment and a penalty for lack of  
6 coverage. Christy Fashions has since gone out of business. Myrna Fashions has not received a  
7 refund from Respondent.

8 On March 15, 2007, DeJesus was provided with a photographic line up. After a brief  
9 review of the line up, DeJesus selected photograph depicting Respondent as the person who gave  
10 Solis a fraudulent quote.

## 11 VI

### 12 **Complainant Carlo Gholami/Couture Clothing Co.**

13 On May 18, 2005, Carlo Gholami called the Department's Investigation Division to file a  
14 formal complaint. Gholami, owner of Couture Clothing Company, alleged that he paid  
15 Respondent insurance premium for workers' compensation insurance and never received a policy  
16 or a refund of premium.

17 On June 14, 2005, Gholami was interviewed and provided the following information:

18 In 2002, Gholami was referred by a friend to Respondent. Gholami received a quote from  
19 Respondent for workers' compensation coverage, which he accepted. Gholami was provided a  
20 policy through Everest National Insurance Company from April 25, 2002 through April 25, 2003.  
21 The broker of record was listed as American All Risk Insurance Services, Inc. Gholami received  
22 his policy and his payments were made directly to the insurance company and he had no problem  
23 with the coverage.

24 From May 2002 through May 2003, Respondent sold Gholami Commercial Liability  
25 Insurance through Environmental & Casualty Insurance Company. Gholami received his policy  
26 for this coverage and paid the insurance company directly with no problem with the coverage.

1 On April 17, 2003, Respondent provided Gholami with a renewal quote for his workers'  
2 compensation policy. Gholami paid Respondent a down payment and all monthly payments went  
3 directly to Respondent. Gholami never received a new policy.

4 In April 2004, Respondent provided Gholami with a renewal quote for the workers'  
5 compensation policy. Gholami paid Respondent a down payment and all monthly payments went  
6 directly to Respondent Insurance. Gholami never received a new policy.

7 On January 20, 2005, Gholami received a letter from American All Risk Insurance  
8 Services advising him that his workers' compensation insurance coverage with Everest National  
9 Insurance Company would be nonrenewed in April 2005.

10 On April 29, 2005, Respondent came to Gholami's office. Respondent advised Gholami  
11 that his workers' compensation policy had been nonrenewed and that he needed coverage as soon  
12 as possible. Respondent provided Gholami with a quote dated April 13, 2005 for coverage  
13 through National Liability & Fire Company. Gholami gave Respondent the down payment in the  
14 form of a check payable to Respondent's insurance agency. The check was dated April 29, 2005,  
15 in the amount of \$1451.00. Respondent advised Gholami that he would deliver the binder and  
16 policy information within a few days.

17 On May 3, 2005, the check for \$1451.00 cleared Gholami's bank account. Gholami began  
18 to contact Respondent to request a policy or binder for the workers' compensation policy.  
19 Gholami made several calls leaving messages, but received no response from Respondent.

20 On June 14, 2005, Gholami contacted National Liability & Fire Company to verify his  
21 workers' compensation insurance and request a policy. The Underwriting Manager, Jill, advised  
22 him that there was no workers' compensation insurance coverage on behalf of Couture Clothing  
23 Company or Carlo Gholami. She further advised Gholami that Respondent did not have a  
24 contract to write business on behalf of National. Jill referred Gholami to Pacific Gateway  
25 Insurance, which is the registered Managing General Agency on behalf of National Liability &  
26 Fire Company, to secure insurance coverage.

27 In June 2005, Gholami had to secure workers' compensation insurance with a different  
28 insurer. Gholami paid a higher premium for lack of insurance for six months.

1 Gholami stated that through the date of his complaint, he had never received any  
2 communication or refund of premium or a policy from National Liability & Fire Insurance  
3 Company nor from Respondent.

4 On October 26, 2006, Gholami was provided with a photo line up including Respondent's  
5 picture. Gholami reviewed the photographs and identified the one of Respondent as the person to  
6 whom he gave the down payment of insurance premium.

7 Gholami paid Respondent \$1451.00 for a workers' compensation policy that was not  
8 placed.

9 On January 26, 2007, the Department contacted National Liability & Fire Insurance  
10 Company regarding workers' compensation insurance for Gholami. Per Tina Masarweh,  
11 Gholami's renewal policy was not placed by Respondent nor was any premium received.  
12 Gholami was referred to ISU Insurance Services to change the broker of record and re-establish  
13 insurance with the company.

## 14 VII

### 15 **Complainant Kuo-Chen Cheng/Golden China Restaurant**

16 On March 20, 2006, the Department received a complaint from Kuo-Chen Cheng, owner  
17 of Golden China Restaurant, alleging that Respondent accepted premium for placement of  
18 workers' compensation insurance and failed to place insurance or refund premium.

19 On June 29, 2006, Cheng was interviewed and provided the following information:

20 In February 2003, Cheng was referred by a friend, Ryan Lee, to get a quote from  
21 Respondent.

22 Lee is the payroll accountant used by Cheng. On February 13, 2003, Respondent came to  
23 the restaurant to meet with Cheng and provide him with a quote for workers' compensation  
24 coverage, which he accepted. Attached to the quote was an Accord application for the insurance.  
25 Cheng gave Respondent a check for the down payment of \$3471.00, payable to Respondent.  
26 Within 30 days, Cheng was provided a policy through Everest National Insurance Company from  
27 March 20, 2003 through March 20, 2004. Cheng received his policy and made payments directly  
28 to Everest Insurance with no problems or claims through the term of the policy.



1 In March 2004, Cheng renewed directly through Everest Insurance Company. Cheng sent  
2 the premium directly to the company and received his policy from the company with no  
3 problems.

4 In November 2004, Cheng received a telephone call from Respondent, advising him that  
5 he had a new company for him to use for workers' compensation insurance. Respondent advised  
6 Cheng that the company offered lower premiums and that the company was a better rated  
7 company. Respondent came to the restaurant on November 30, 2004 to meet with Cheng to  
8 discuss the new insurance quote. Respondent advised Cheng that if he wanted the new insurance  
9 he should start the coverage immediately before his renewal period. Cheng trusted Respondent's  
10 opinion and gave Respondent a check for \$5414.60 as a down payment for a new workers'  
11 compensation insurance policy. The check was payable to Respondent's insurance agency.  
12 Respondent advised Cheng to use his check as a receipt and further advised Cheng that he would  
13 receive a policy within 30 days. Cheng was not sure with whom the insurance would be placed.  
14 He only knew that the rate was low and he wanted a lower premium.

15 After 60 days, Cheng realized that he had not received a policy. He contacted Respondent  
16 on several occasions and was given one excuse after another as to when he would receive a  
17 policy. Cheng continuously contacted Respondent for approximately six months, until all the  
18 telephone numbers for Respondent were disconnected and the mail was returned as undeliverable.

19 On February 15, 2007, Cheng was provided with a photographic line up including  
20 Respondent's picture. Cheng reviewed the photographs and identified the photograph of  
21 Respondent as the person to whom he gave him the insurance premium. Cheng suffered a loss of  
22 \$5414.60.

## 23 VIII

### 24 **Respondent Interview**

25 On September 27, 2006, Respondent came to the California Department of Insurance to be  
26 interviewed. Respondent stated the following:

27 Respondent stated that he had four (4) offices: two (2) in Koreatown (Los Angeles), one  
28 (1) office in Norwalk, and one (1) in the Los Angeles Wilshire District. He maintained the office

1 until year end 2003. Respondent stated that he closed the Wilshire office due to lack of business  
2 and employee theft. The Roland Heights office was given to Jay Lee. The Koreatown offices  
3 were closed due to lack of business and the Norwalk office eventually closed due to financial  
4 difficulty. He was evicted from Norwalk in late 2004. All his records were left behind when he  
5 was evicted. Respondent stated that he made no attempt to retrieve his insurance records.

6 Respondent stated that in 2003 he began to have financial trouble, especially with his  
7 employee Yong Park who was stealing from the clients. When he discovered the shortages, he  
8 immediately refunded to the insureds affected by the thefts and severed his relationship with  
9 Yong Park (whom Respondent states is deceased). He believes that he had approximately seven  
10 (7) victims of theft of premium related to Yong Park. Respondent stated that the insureds were  
11 made whole and that he had no complaints.

12 Respondent was asked if he accepted premium and placed workers' compensation  
13 insurance for the Formosa accounts, Couture Clothing and Golden China Restaurant accounts.  
14 Respondent stated that he accepted the premium and forwarded the premium to Formosa  
15 Insurance for placement. Respondent stated that all the policies were issued and remained in  
16 affect as far as he knew. Respondent was asked about the nonsufficient funds checks he had  
17 written to Formosa for the insureds. Respondent stated the he thought the checks had cleared.  
18 Respondent stated that he had no proof of his statements because his files were lost in his office  
19 when he was evicted. Respondent further stated that he had a good relationship with his insureds  
20 and if he went to their offices today they would continue to do business with him.

## 21 IX

22 The facts alleged above in Paragraphs II through VIII show that Respondent has shown  
23 incompetence and untrustworthiness in the conduct of business and thus constitutes grounds for  
24 the Commissioner to suspend or revoke his license and licensing rights pursuant to Insurance  
25 Code sections 1668(j) and 1738;

## 26 X

27 The facts alleged above in Paragraph II through VIII show that Respondent failed to  
28 maintain required records in violation of California Insurance Code section 1727(b) and Title 10,

1 California Code of Regulations section 2695.3(a).

2 XI

3 The facts alleged above in Paragraph II through VIII show that Respondent failed to  
4 maintain funds in a fiduciary capacity, as defined in section 1733 of the California Insurance  
5 Code (hereinafter "Insurance Code"), and failed or neglected to remit such funds to the insurer or  
6 person entitled thereto, or to maintain funds at all times as required by Insurance Code section  
7 1734(a) and thus constitutes grounds for the Commissioner to suspend or revoke her license and  
8 licensing rights pursuant to Insurance Code section 1738.

9  
10 Dated: September 19, 2007.

CALIFORNIA DEPARTMENT OF INSURANCE

11  
12 By \_\_\_\_\_  
13 Brian D. FitzGerald  
14 Attorney for the Department  
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